

Senator Max Baucus
Statement to the American Medical Association
March 4, 2003

Thanks for that kind introduction, Dr. Palmisano. I'm happy to be here today. Just over a year ago, I reached an important milestone in my life. I turned 60. Since then, I've tried to surround myself with as many doctors as possible. Just in case. And I'm pleased to be in the company of such a distinguished group today. I'd like to take a minute to recognize a few of them.

First, I'd like to thank the AMA's entire Board of Trustees. I'd also like to thank your President, Dr. Yank Coble, for all of his hard work and dedication. I understand that Dr. Palmisano will be taking over for Dr. Coble as President this July – Congratulations. You'll be leading a great organization. We have much to discuss today but not a lot of time, so let me get started.

In the next few months, Congress will consider Medicare and Medicaid reforms. Our decisions will touch the lives of tens of millions of Americans. And will affect the way you practice medicine.

As we move forward with reform, it will be vital that your insights and ideas are part of the dialogue. Such large reforms shouldn't be based on inside-the-beltway experiences. Your front-line perspective on health care issues is invaluable.

PHYSICIAN PAYMENT FIX

Let me start off on an issue that I know is near and dear to many of you – Medicare physician payments. Last year, thanks to the formula that's in place, CMS cut payments by 5.4 percent. This year, payments were scheduled to drop another 4.4 percent.

America's doctors were rightly upset by these cuts. You told Congress that you couldn't continue serving seniors without adequate compensation. We heard you. Both Democrats and Republicans were determined to fix this problem. I worked closely with Finance Chairman Grassley, Majority Leader Frist, and our House counterparts to find a solution. And last month Congress passed legislation that replaced the cut – which would have gone into effect on March 1 – with a 1.6 percent increase.

This is not just a victory for all of you. It's a victory for 40 million elderly and disabled Americans who depend on Medicare. But we're not out of the woods. The physician payment formula is still faulty. And future cuts are possible. I'll continue my efforts to fix these flaws and ensure access to physician services.

MEDICARE

As if provider payments were not challenging enough, this year, Congress will revisit one of the most complex and contentious issues around: Medicare reform.

We all know Medicare can be improved. Physicians, in particular, know first-hand that Medicare has a laundry list of shortcomings. For example:

- Medicare does a poor job of coordinating care.
- It focuses too much on acute care, and not enough on prevention.
- There are significant geographic inequities in provider payments.
- And perhaps most pressing of all, Medicare fails to cover prescription drugs.

This morning, President Bush outlined a framework for Medicare reform, including prescription drug coverage. He's allocated more funding for prescription drugs than he did last year and has made some improvements from the Medicare reform proposal he started with earlier this year. BUT, his program still doesn't go far enough.

Under the president's proposal, in order to obtain comprehensive drug coverage, seniors must enroll in a private plan. Those who stay in traditional Medicare would receive minimal coverage. This creates an uneven playing field for rural and urban seniors because rural seniors often don't have access to private Medicare plans.

Does it make sense that a senior in California who joins an HMO gets coverage for drugs to lower her cholesterol and treat her glaucoma, while her sister – who lives in Montana and stays in the traditional Medicare program – cannot? I don't believe so.

That's why every major drug benefit proposal debated by Congress last year was available to all Medicare beneficiaries, in equal measure. Republicans and Democrats, House and Senate, all agreed on this point. We should not back away from that consensus.

Medicare has never before discriminated against beneficiaries based on their choice of health plans. We can't start now. And on top of discriminating against our rural seniors, there is no proof that private plans are any more efficient than traditional Medicare. Take the Medicare+Choice program as an example.

An estimated 64 % of Medicare+Choice enrollees are in plans that are paid as much – or more than – local fee-for-service. Some plans receive a per capita rate that is 140 % of fee-for-service payments. Yet private plans are still leaving Medicare. That should not be a model for reform.

Finally, any changes to Medicare must preserve and protect the most important choice of all: the ability to choose your doctor. Remember, that's what the Patients' Bill of Rights was about. And that's what seniors want when they talk about choice.

Taking all of these factors into account, I'm not able to support the Administration's plan as currently written. Medicare works for millions of Americans. And while we need to make some real improvements, traditional Medicare should remain a viable option.

I'm optimistic that differences of opinion with the Administration's plan won't keep us from passing a solid, widely supported Medicare reform bill this year. Last year, with the support of both Republican and Democratic senators, we came very close to a solution that I believe could pass the House and Senate.

We nearly agreed on a framework for using private insurance companies to deliver drug benefits. The benefit would be available to all beneficiaries – those in private plans, and those who remain in Medicare. Insurance risk would be phased in, over time. And a strong government fallback would guarantee that seniors in every part of the country were served.

If this group of Senators were to continue its work, then I believe we will finally pass a Medicare drug benefit and reform legislation this year.

MEDICAID

Now let me turn to the Administration's proposal to reform Medicaid. We all know that state Medicaid programs are in trouble. States are facing their most dire fiscal crisis since World War II. And Medicaid is on the chopping block. Forty-nine states have made cuts to their Medicaid programs – or are planning future cuts. Including cuts to provider payments.

I'm willing to work with the Administration to improve Medicaid. To provide fiscal relief and more flexibility for states. To improve provider participation. To increase accountability. But I have concerns about the Administration's proposal.

For starters, states tell us they are in desperate need of fiscal relief. Without relief, states will have to cut Medicaid even further – just as they cut other spending and increase taxes. In the interest of stimulating our national economy, and preserving access to health care for our poorest and neediest citizens, we must help states balance their budgets and get their economy's moving again.

But the President's block-grant Medicaid proposal would not give states the assistance they need. Yes, states would get some additional dollars up front. But that increased funding would be taken back through cuts in later years. If you read the fine print, the proposal is actually budget neutral.

The proposal would also put optional populations and benefits at risk. The term "optional" might sound like these people are less needy. But seniors with incomes as low as \$6,600 are considered optional. So is a 7 year-old in a family with an income of \$16,000. And prescription drugs are an "optional" benefit. In fact, 65 percent of all Medicaid spending goes to these "optional" people and services.

I also worry that the President's proposal would put doctors in a difficult position. For example, it would allow states to provide varying levels of coverage and benefits in different areas. So those of you practicing in rural areas might not receive Medicaid reimbursement for services that would be covered in cities.

And it would allow states to offer meager benefit packages. States could cut costs by covering physician visits – but not hospital services. A Medicaid patient could see his or her doctor and get a diagnosis. But then might not be able to access the treatment you recommend.

Finally, if fewer Americans are covered under Medicaid, the number of uninsured will grow even higher. Obviously, this means even more charity care for you.

I look forward to working with the Administration to improve Medicaid. But we should not throw the baby out with the bath water. Medicaid is too important for too many people.

MEDICAL MALPRACTICE

One final issue before I finish. Medical malpractice. I hear about this crisis every day.

Last year, malpractice rates jumped 25 percent for internists and surgeons, and 20 percent for obstetricians. And it's not just a problem for doctors. I heard recently from a small hospital in Big Timber, Montana. That hospital's premiums have risen from \$9,000 in 2001, to \$19,000 in 2002, to \$90,000 this year. A one-thousand percent increase over three years.

Such increases are unsustainable, whatever their source. We must find lasting solutions to this problem. Solutions that don't compromise access to quality care. And we must act quickly.

The President suggests that this problem can be solved by imposing caps on damages. My state of Montana has already passed strict tort reforms. They are similar to the MICRA reforms in California, which impose a \$250,000 cap on non-economic damages. Still, Montana providers – like the one in Big Timber – see dramatic malpractice premium increases. So caps aren't enough.

Montana's tort reform experience tells me we must look for broader solutions to stabilize malpractice premiums. We should consider strategies to stabilize the insurance cycle. Approaches to offer reinsurance to high-risk providers. Efforts to decrease medical errors. And to encourage an atmosphere of openness when it comes to identifying and addressing these errors.

Ultimately, our solution must allow providers to continue to practice. It must allow patients access to the services they need. And it must give justice and fair compensation for those injured by medical errors.

CONCLUSION

Thank you for your attention. And thank you especially for dedicating your careers to improving the health of this nation. I look forward to working together to make sure that our health system works for physicians, for taxpayers, and – most importantly – for patients. We’ve got our work cut out for us. But by working together, we can advance the health of all Americans. Thank you.